



THE QUAIDE MILETH COLLEGE FOR MEN
(Reaccredited by NAAC)
INTERNAL QUALITY ASSURANCE CELL



**P.G. & RESEARCH DEPARTMENT OF COMMERCE
THE QUAIDE MILETH COLLEGE FOR MEN**

**QUESTION BANK
FOR M.COM FIRST SEMESTER
FINANCIAL MANAGEMENT
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P.G & RESEARCH DEPT OF COMMERCE

FIRST YEAR – M.COM

FIANANCIAL MANAGEMENT QUESTION BANK

UNIT 1: INTRODUCTION

1. What is Financial Management?
2. What are the objectives of Finance Function?
3. Name the areas of finance function.
4. Outline the functional areas of financial management.
5. What are the responsibilities of the financial manager in a modern business organization?
6. Critically analyze the functions of Financial Manager in large industrial establishments.
7. Explain the objectives of financial management.
8. Explain the objectives of a modern firm.
9. Discuss the significance of risk and uncertainty in investment decision making.
10. What are the various components of a financial system? How does a financial system influence economic development?
11. “Maximization of Profit is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing shareholders’ wealth”. Comment.
12. Why is maximizing wealth a better goal than maximizing profits?
13. What are the various sources available to Indian business man for raising funds in India?
14. What are the sources of Long Term finance?
15. Critically examine the advantages and disadvantages of raising funds by issuing shares of different types.
16. What are debentures? What type of debentures can a joint stock company issue? Evaluate debenture as source of funds.
17. “Commercial Banks provide only short term finance”. Do you agree? Explain the various forms of bank finance.
18. What do you mean by specialized financial institutions? Why are these needed?
19. Critically evaluate the utility of preferred stock as a means of obtaining long term funds.
20. Explain the utility of public deposit as a source of corporate finance in India.
21. What are the sources of short term fiancé?
22. Write short notes on: (i) Commercial Paper (ii) venture capital (iii) lease financing (iv) term financing and (v) mutual funds.
23. What is time value of money? Write short notes on compounding and discounting.
24. How does a stock exchange serve as an economic barometer?



25. State the features of a stock exchange.
26. Describe the common features of NSE and OTCEI.
27. Discuss the role of SEBI in regulating the working of stock exchanges in our country.
28. Briefly explain the objectives, powers and functions of SEBI.
29. Distinguish between speculation, investment and gambling.
30. Explain the concept of risks. Enumerate the different types of risk and how to measure it.
31. What are the various components of a financial system? How does a financial system influence economic development?



UNIT 2: CAPITAL STRUCTURE

1. What is meant by capital structure? What are the major determinants of capital structure?
2. What do you mean by optimum capital structure?
3. What are the essentials of a sound capital mix?
4. What is capital gearing? Discuss the effects of high and low gearing on the financial position of a company during various phases of trade cycle.
5. Give a critical appraisal of the traditional approach and Modigliani and Miller approach to the problem of capital structure.
6. Explain the net income and net operating income approach to capital structure.

CAPITALISATION

7. What do you mean by the term 'Capitalization'? Explain the various theories of capitalization.
8. Explain the meaning and causes of over capitalization. Discuss the remedies of over capitalization.
9. What do you understand by 'under capitalization'? What are its effects? Also the state the steps to be taken for its correction.
10. The consequences of 'over capitalization' are far more serious than 'under capitalization'. Discuss.
11. What do you understand by over trading and under trading?

LEVERAGES

12. What is meant by leverage? Explain the types of leverages.
13. What is meant by financial leverage? How does it magnify the revenue available for equity shareholders?
14. What is operating leverage? How does it help in magnifying revenue of a concern?
15. Distinguish between operating leverage and financial leverage.
16. Write a critical note on financial leverage and financial decision.
17. Write a note on trading on equity.



UNIT 3: COST OF CAPITAL

1. What is cost of capital? Explain the significance of cost of capital.
2. What is the importance of cost of capital? Discuss the problems in determining it.
3. Examine critically the different approaches for computing the cost of equity. Discuss the merits and demerits.
4. Write short notes on cost of debt. Explain its merits and demerits.
5. How is the cost of preference share determined?
6. Write short note on: (i) Specific cost Vs composite cost of capital (ii) Historical cost Vs Future cost (iii) Explicit cost Vs Implicit cost.
7. What is weighted average cost of capital? Examine the rationale behind the use of weighted average cost of capital of a firm.

DIVIDEND POLICY

8. What do you mean by dividend? Describe the different types of dividend policy.
9. Write a short note on stable dividend policy.
10. How far you agree that dividends are irrelevant?
11. Discuss the different types of dividends. Explain its merits and demerits.
12. Explain the various factors influence the dividend decision of a firm.
13. Discuss Walter model of share valuation vis-à-vis dividend policy.
14. Explain the assumptions and implications of Gordon's dividend model.
15. What do you understand by bonus share? Write a detailed note on the issue of bonus shares.
16. What do you mean by right issue?
17. Explain the Modigliani – Miller hypothesis of dividend irrelevance. Does this hypothesis suffer from deficiencies?



UNIT 4: CAPITAL BUDGETING

1. What is capital budgeting? Explain its need and importance.
2. Give a comparative description of various methods of ranking investment proposals.
3. Give a comparative description of net present value method and internal rate of return method.
4. Critically evaluate the Pay Back Period and Accounting Rate of Return as a method of investment appraisal.
5. What are the components of capital budgeting analysis?
6. Discuss the various methods used for risk factor in capital budgeting decisions.
7. Write short note on: (i) risk adjusted discount rate (ii) certainty – equivalent coefficient (iii) sensitivity analysis and (iv) decision tree analysis.



UNIT 5:

WORKING CAPITAL MANAGEMENT

1. What do you understand by Working Capital? What factors would you take into considerations in estimating the working capital need of a concern?
2. Describe the need and significance of working capital in a business.
3. Explain briefly the essentials of a sound working capital management.
4. What shall be the repercussions if a firm has (a) Redundant working capital (b) inadequate working capital?
5. What is operating cycle? Explain its significance.
6. Explain briefly the different sources of working capital.
7. Name the various kinds of working capital.
8. Discuss the various sources of working capital funds.
9. What are the advantages and disadvantages of trade credit as a source of short-term finance?

CASH RECEIVABLES AND INVENTORY MANAGEMENT

10. What is nature of cash? Name the various motive for holding cash.
11. Write a few lines on lock box system.
12. Distinguish between a deposit float and bank float.
13. What do you understand by cash management? How can it be undertaken?
14. "Efficient cash management will aim at maximizing the cash inflows and showing cash outflows". Discuss.
15. Explain the various methods of investing surplus cash. What criteria should a firm use in investing marketable securities?
16. Explain and illustrate the utility and preparation of cash budget as a tool of cash management.
17. What do understand by Receivables Management? Why is it essential to a business concern?
18. Discuss the various aspects or dimensions of receivable management.
19. What is meant by Inventory Management? Discuss in detail the objectives of Inventory Management.
20. Define the term Inventory Control. What are the Inventory Control Systems?
21. Explain the various tools and techniques used for inventory management.
22. What is meant by Economic Ordering Quantity? What are the various costs which affect the EOQ?



23. What is credit policy? What are the elements of credit policy of a firm?
24. Write short notes on (i) collection policy (ii) credit analysis (iii) ageing schedule.

Books for Reference:

- Advanced Financial Management – S.P. Jain & K.L. Narang. Kalyani Publishers, Ludhiana
- Financial Management – S.N. Maheswari , Sultan Chand, New Delhi
- Financial Management- Prasanna Chandra- TMH, New Delhi
- Financial Management- Ravi Kishore, - Taxman Publishers.
- Pandey .I.M. Vikas, New Delhi
- Financial Management – Murthy, Margham Publishers, Chennai.